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Windstorm rates: From bad to worse

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OUR OPINION: NATIONAL HELP NEEDED FOR INSURANCE CRISIS

Editorial, Miami Herald

Here

we are in the middle of the hurricane season, 15 years after Andrew, and still the windstorm-insurance market keeps going from bad to worse. Despite legislative efforts to provide rate relief earlier this year, most insurance companies have increased rather than decreased their premiums. State Farm, Florida's largest private-insurance company, plans to drop 50,000 coastal policies next year. A few days ago, Nationwide Insurance of Florida said it will not renew 39,000 property policies starting in January.

The problem is not limited to Florida, either. A survey reported in The Wall Street Journal said more than three million Americans were dropped by their home insurers in the last two years, most of them in the 16 Southeastern states. More and more homeowners who don't have a mortgage are "going bare" -- i.e., going without windstorm insurance -- because premiums are too high, the newspaper reported.

The recent second anniversary of Hurricane Katrina was a reminder of yet another aspect of how the market isn't working: Insurers and homeowners are engaged in a big legal fight over whether damage was caused by wind or water. Private insurers are insisting that flood insurance, which usually means the federal government, should pay for recovery.

Bottom line: The market is dysfunctional.

The creation of Citizens Property Insurance as the state-backed insurer of last resort was a reaction to the market's collapse in this state. Today, it should be obvious that the problem is bigger than Florida. It is time for the federal government to act accordingly.

The latest idea making the rounds on Capitol Hill would add the peril of windstorm insurance to the federal flood-insurance program. Sponsored by U.S. Rep. Gene Taylor, D-Miss., the plan has been added to a flood-insurance reform bill (HR 3121) that has already been approved by the Financial Services Committee and has the backing of Speaker Nancy Pelosi and the House leadership.

This plan is far from ideal. The flood-insurance program has been dogged by a series of problems over the years and currently is \$17.5 billion in debt. Yet the proposal merits serious consideration because the federal government has a necessary role in this type of coverage.

One advantage would be the mandate to establish federal standards -- read building codes -- that would be used to determine rates for individual properties once local governments opt into the federal program. Without such a mandate, vast stretches of populated areas vulnerable to windstorm peril will never have acceptable standards.

Critics will say this puts the burden on taxpayers who don't live in imperiled areas. However, they already are on the hook. Look no further than Hurricane Katrina:

Thus far, the federal tab is \$114 billion. Lacking a federally backed plan like the flood program, however, the national government throws money at the damaged area and spends it in wasteful and inefficient ways -- without being able to rely on a cash pool created by homeowner premiums.

This issue is a priority for everyone in Florida who pays property insurance. We hope the Democratic presidential candidates in town for tonight's debate -- particularly those in Congress -- are asked whether they support this or a similar national plan.

It should be evident by now that the insurance industry can't do the job by itself. Yet it has an important role to play in helping lawmakers find consensus on the proper role for government, instead of issuing shopworn warnings about the evils of government intrusion. Like it or not, the federal government will have to undertake the burden that private industry plainly can no longer bear.

